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Financing of the United Nations Mission in the Central African Republic and Chad

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Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the financing of the United Nations Mission in the Central African Republic and Chad (MINURCAT) (A/69/596), which provides details on the final disposition of the assets of the Mission. During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with responses received in writing on 27 February 2015.

2. The Mission was established by the Security Council in its resolution 1778 (2007) and extended by subsequent resolutions, ending on 31 December 2010 in accordance with Council resolution 1923 (2010). On 1 January 2011, MINURCAT commenced its administrative liquidation, which continued until 30 April 2011.

II. Final disposition of assets

3. The report of the Secretary-General provides details on the final disposition of assets of MINURCAT as at 30 June 2014 and notes that there has been a delay in concluding the asset disposal process stemming from the need to finalize the administrative process of writing off assets deemed lost and irrecoverable while being shipped (A/69/596, para. 3). The Mission's asset disposal plan was undertaken in accordance with financial regulation 5.14 of the Financial Regulations and Rules of the United Nations and provided for: (a) the redeployment of equipment in good condition to other current or future peacekeeping operations or placement in reserve to form start-up kits for use by future missions; (b) the redeployment of equipment not required for current or future peacekeeping operations to other United Nations activities, if required; (c) the sale of equipment not required for current or future peacekeeping operations or other United Nations

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agencies, international organizations or non-governmental organizations; (d) the commercial disposal in accordance with the procedures applicable to other United Nations equipment or property; and (e) the transfer to the Government of assets, in return for compensation, or free of charge, as applicable, which have been installed in-country and which, if dismantled, would set back the rehabilitation (ibid., para. 4). Information on the actual disposition of all assets of the Mission is provided in section II of the report of the Secretary-General.

4. The Advisory Committee notes that the Mission's assets fall into three groups (ibid., tables 1, 2 and 3). The Committee was also provided with a detailed summary of the final disposition of assets, showing their inventory value and their residual value, as follows:

Table 1

Summary of the final disposition of assets of the United Nations Mission in the Central African Republic and Chad

(Thousands of United States dollars)

Category	*Quantity of assets*	*Inventory value*	*Percentage*	*Residual value*
Group I: transferred to other missions/United Nations activity or for temporary storage at the United Nations Logistics Base at Brindisi, Italy	11 332	94 403 227	74.2	68 535 780
Group II: disposed of in the Mission area	1 163	8 382 516	6.6	4 321 462
Group III: written-off or lost				
Written-off	7 620	24 091 417	18.9	10 519 969
Lost	389	407 411	0.3	–
Total	**20 504**	**127 284 571**	**100**	**83 377 211**

5. The Mission's final disposition comprised 20,504 assets under groups I, II and III, amounting to an inventory value of $127.3 million (residual value of $83.4 million). A total of 11,332 group I assets with an inventory value of $94.4 million, or a residual value of $68.5 million, have been transferred to other missions for their use or to the United Nations Logistics Base at Brindisi, Italy for temporary storage, while a total of 1,163 group II assets with an inventory value of $8.4 million (residual value of $4.3 million) have been disposed of in the Mission area. The report also states that a total of 8,009 group III assets with an inventory value of $24.5 million (residual value of $10.5 million) have been written off or lost (ibid., paras. 7-9). **The Advisory Committee notes that information on the residual value of assets was provided in the aforementioned paragraphs of the report of the Secretary-General but not provided under table 1, representing a presentational inconsistency. The Committee is of the view that, to ensure transparency, tables should show both the inventory value and the residual value of assets and considers that all related reports should adhere to a standard structure and incorporate all pertinent information (see also A/68/866, para. 5).**

6. With respect to the transfer of assets to other missions, the Advisory Committee was informed that assets of closing missions are transferred at no material cost/zero value, except for the cost of transportation, which is carried by

the receiving mission. Upon enquiry, the Committee was informed that the treatment of property, plant and equipment is different for budgetary and financial purposes. Therefore, when an asset is acquired, the total amount paid for the asset is recognized as an expenditure and, if an asset is transferred from one entity to another (or mission to mission), there is no budgetary impact since the expenditure has already been recognized in the releasing entity. The Committee was further informed that, for the purposes of financial statements, assets are capitalized under the International Public Sector Accounting Standards (IPSAS) at fair value at the moment of acquisition and are depreciated over time and, if an asset is transferred to another entity, the asset is then recognized at the fair depreciated value in the recipient entity. The Committee was informed that the expense (as depreciation) is recognized in the two entities, depending on the length of time the asset was used in each entity. **Since transferred assets between missions retain an economic value and, consequently, should not be recorded as having zero economic value, the Advisory Committee expects the Secretary-General to ensure that transferred assets are recorded according to their depreciated value, in accordance with IPSAS.**

7. The Advisory Committee notes that the Mission's last budget performance report indicated that the value of assets to be disposed of amounted to $149.9 million (A/66/646, para. 60), while the report on the final disposition of assets placed that figure at $127.3 million (A/69/596, para. 5, and table 1 above). The Committee was informed, upon enquiry, that the total value of the Mission's assets, as shown in the last budget performance report, contained the value of property disposed of prior to the Mission's liquidation period, including through gifting in accordance with financial rule 105.23(e). The Committee was further informed that the inventory value reflected in the report on the final disposition of assets therefore covered only the total value of the Mission's assets after the start of the liquidation period, in accordance with financial regulation 5.14. In connection with the gifting of assets, the Advisory Committee notes that no details were provided as to the number and value of gifted assets, if any. **The Advisory Committee expects the Secretary-General to provide detailed information on gifted assets, if any, to the General Assembly at the time of consideration of the present report.**

8. With respect to the effectiveness of the overall asset disposal process and any lessons learned from that process, the Advisory Committee was informed, upon enquiry, that the criteria and indicators for asset disposal during the mission liquidation process are contained in the Liquidation Manual of the Department of Field Support. Further, the Department of Field Support performance management framework for property management includes the following key performance indicators governing the write-off and disposal process during the maintenance stage of a mission:

- Disposal backlog: a target of 0 per cent and tolerance rate of 10 per cent
- Timeline of the write-off process: a target of 90 days and tolerance rate of 30 days
- Timeline of completed commercial sales: a target of 180 days and tolerance rate of 30 days

- Write-off backlog for plant and equipment indicators: target of 0 per cent and 0.5 per cent tolerance rate, in order to ensure compliance with the IPSAS reporting requirements.

The Committee was further informed that, during a mission's liquidation phase, the timelines for write-off and disposal action were reduced in order to meet the end-date of the mandated liquidation period.

9. In connection with the final accounting of assets at the end of the Mission's liquidation period, the Advisory Committee was provided, upon enquiry, with comparative data on inventory values in groups I and III for other liquidated missions, along with the percentages of assets transferred, written off or lost, as set out in table 2 below:

Table 2
Inventory value of assets in groups I and III: comparison with closed peacekeeping missions
(Thousands of United States dollars)

		Group I		*Group III*		*Total*
		Transferred to other missions	*As percentage of total*	*Written off or lost*	*As percentage of total*	*Inventory value*
Document symbol	*Peacekeeping mission*	*(1)*	*(2) = (1) / (5)*	*(3)*	*(4) = (3) / (5)*	*(5)*
A/69/594	United Nations Supervision Mission in the Syrian Arab Republic	15 536	99	183	1	15 719
A/69/589	United Nations Integrated Mission in Timor-Leste	14 988	44	2 846	8	34 293
A/69/596	United Nations Mission in the Central African Republic and Chad	94 403	74	24 499	19	127 285
A/68/709 and Corr.1	United Nations Mission in the Sudan	242 978	83	41 440	14	293 014
A/66/569	United Nations Observer Mission in Georgia	10 735	47	5 308	23	22 710
A/65/678	United Nations Mission in Ethiopia and Eritrea	17 459	31	30 336	53	57 034
A/63/551	United Nations Operation in Burundi	51 337	87	3 080	5	59 152
A/62/756	United Nations Mission in Sierra Leone	37 723	61	3 164	5	61 909
A/60/703	United Nations Mission of Support in East Timor	25 903	47	4 332	8	55 251
A/57/753	Financing of the United Nations Assistance Mission for Rwanda	38 352	59	5 895	9	64 473
A/57/631	Financing of the United Nations Mission in the Central African Republic	6 545	53	2 863	23	12 467

10. The Advisory Committee notes from the above table that 19 per cent of the Mission's assets have been categorized as written off or lost. Upon enquiry, the Committee was informed that the 73 light and heavy vehicles listed under this category also included those written off owing to normal wear and tear, accident and damage. The Committee was further informed that one light vehicle was lost in transit between missions, while a total of 48 light vehicles had been classified as inventory discrepancies (44 four-wheel drive general purpose vehicles; 2 four-wheel drive utility vehicles; 1 four-wheel drive ambulance; and 1 minibus). The

Committee was also informed that, in view of the exigencies of the drawdown from the Mission area (see also below), the majority of these inventory discrepancies were related to the lack of administrative evidence of vehicle transfers to United Nations agencies.

11. The Advisory Committee requested background information on the Mission's comparatively high percentage of written-off and lost assets and was informed that the closure of MINURCAT was abrupt and occurred at a time when the Mission was expanding to the east of the Mission area. The Committee was further informed that the Mission did not have sufficient time to put in place effective asset disposition management in view of the short timeline for drawdown and the subsequent liquidation period within less than one year. Further, the reconciliation of the MINURCAT inventory was done remotely at the United Nations Global Service Centre in Brindisi. The Committee was also informed that, in consideration of the unlikely prospect of new or additional information concerning the status or whereabouts of the unaccounted assets, the Local Property Survey Board at the Global Service Centre had recommended that no useful purpose would be served by keeping these assets on the MINURCAT inventory records. The Headquarters Property Survey Board recommended in February 2014 that unaccounted expendable and non-expendable property be deemed a material loss pursuant to financial rule 106.7; the assets were then written off.

12. Upon further enquiry, the Advisory Committee was informed that the absence of complete records and the unreliability of information contained in the Galileo Inventory Management System had made the process of reconciliation and proper recording challenging since a number of assets had not been recorded in the system at the time of the liquidation. In addition, documents for expendable and non-expendable property had not been available to verify their reported status in Galileo since some assets did not match their descriptions or had been incorrectly labelled during shipping and were considered to be lost.

13. **The Advisory Committee is cognizant of the difficulties faced by MINURCAT during its liquidation phase, but regrets that the asset disposal process did not follow the criteria, indicators and timelines for asset disposal, which are clearly set out in the Liquidation Manual. In addition, while the Committee welcomes the ready availability of statistical data on disposed assets, a description in the report of the Secretary-General of the above-noted challenges encountered would have added significant informational value to the report and facilitated the Committee's analysis. The Advisory Committee therefore recommends that the General Assembly request the Secretary-General to include in future reports on the final disposition of assets, background information and a brief assessment as to the effectiveness and overall conclusions drawn from a mission's asset disposal process. The Committee further expects that the implementation of IPSAS and Umoja will ensure that the difficulties in accurate accounting and recording of assets will be minimized in the case of future mission liquidations.**

III. Conclusion

14. The action to be taken by the General Assembly in connection with the financing of the United Nations Mission in the Central African Republic and Chad

is contained in paragraph 10 of the report of the Secretary-General (A/69/596). **Subject to its comments and observations in the paragraphs above, the Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General.**